

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-11 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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R 291700Z JAN 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6048

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, EEC, GW

SUBJECT: GATT PANELS ON DISC AND RELATED TAX PRACTICES

1. FRG ECONOMICS MINISTRY OFFICIALS MESSENBERG AND
BURRE) WHO ARE PREPARING FOR EC 113 COMMITTEE REVIEW
OF DISC RAISED FOLLOWING POINTS WITH EMBOFF ON JANUARY
29:

(A) DESPITE RECORD TRADE SURPLUS, USG HAS NOT TAKEN
ANY STEPS TO TERMINATE DISC. THERE MAY HAVE BEEN SOME
RATIONALE FOR INTRODUCTION OF DISC AT TIME WHEN US
TRADE BALANCE WAS HEAVILY IN DEFICIT, BUT THIS IS
CERTAINLY NOT TRUE TODAY;

(B) GERMAN FIRMS ARE PRESSING FOR MORE FAVORABLE TAX
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TREATMENT TO ASSIST EXPORTS. IF US MAINTAINS THE

DISC, IT WILL BE INCREASINGLY DIFFICULT FOR FRG TO
WITHSTAND THIS PRESSURE;

(C) IN ABSENCE OF STEPS BY USG TO TERMINATE DISC, EC
OPPOSITION IS LIKELY TO BE MUCH MORE UNITED AND THUS
STRONGER. IT WOULD GREATLY EASE THE SITUATION IF USG
WOULD AT LEAST MAKE AN EFFORT TO OBTAIN LEGISLATION
PHASING OUT DISC ON STEP-BY-STEP BASIS.

(D) PARAGRAPH 6 OF PROCEDURAL PROPOSALS FOR GATT PANELS
WHICH US MISSION GENEVA CONVEYED TO LUYTEN ON JANUARY
14 WOULD NOT PERMIT ANY FLEXIBILITY CONCERNING ORAL
ARGUMENTS. SINCE IMPORTANT ISSUES ARE AT STAKE, THE
PARTIES SHOULD BE PERMITTED WHATEVER TIME IS NEEDED
TO ARGUE THEIR CASE AND MAKE REBUTTALS.

2. EMBASSY RECALLED THAT DISC WAS INSTITUTED TO NULLIFY
CERTAIN TAX ADVANTAGES TO MANUFACTURE ABROAD AND THAT
IT WAS NOT DIRECTLY RELATED TO US TRADE BALANCE. WE
WOULD LIKE TO HAVE BRIEF STATEMENT OF US POSITION WHICH
WE COULD CONVEY TO MESENBERG PRIOR TO FEBRUARY 5
MEETING OF 113 COMMITTEE WORKING GROUP ON DISC. HOW-
EVER, WE BELIEVE WE SHOULD NOT DO ANYTHING FURTHER TO
ENCOURAGE MESENBERG'S EFFORT TO ENGAGE IN BILATERAL
FRG-US DISCUSSION OF DISC AT THIS POINT. FRG FINANCE
MINISTRY HAS RECENTLY MADE CLEAR ITS OPPOSITION TO THE
INTRODUCTION OF ANY TAX MEASURES TO ASSIST GERMAN
EXPORTERS. THUS THREAT THAT FRG MAY HAVE TO INSTITUTE
ITS OWN FORM OF DISC SHOULD BE TAKEN WITH A GRAIN OF SALT
CASH

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